

Political and Economic Situation in Panama

1. During the past four years

The government was disorganized, each ministry being practically autonomous and without guidance. The calibre of government officials left much to be desired.

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2. During this four year period it became politically popular to blame all the ills of Panama on the claimed failure of the United States to live up to treaty provisions and to give to Panama its "just rights." There was a rising tide of anti-U.S. feeling, continually fomented by politicians, left wing agitators and an incendiary press and radio. The Harmodio ARIAS Madrid papers and radio stations were in the forefront of this endeavor, while also strongly attacking the government of Panama. This culminated in the mob actions against the Canal Zone in November 1959. A further buildup of wide spread anti-U.S. feeling occurred during the following months, which was essentially dissipated as an immediately dangerous force when the Panamanian flag was raised in the Canal Zone in September 1960.

3. Meanwhile Castro triumphed in Cuba and became a popular and hopeful symbol to the Panamanian lower class. Even the invasion of Panama by a group of armed Cubans with intent to take over the country failed to dampen the local enthusiasm for Castro and the Cuban revolution. Thereafter, unhindered by the Panamanian government, the Cuban Ambassador to Panama initiated a wide spread subversive campaign against both the United States and the government of Panama. Using radio stations, newspaper writers,

he has built up appreciable favorable reaction and local support.

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4. After four years of almost no government worthy of the name in Panama, the country's finances are in a chaotic condition and its economy in poor shape. There are thousands of jobless. The government is 14 months in arrears in paying its routine bills to local merchants. Bank credit is over-extended, particularly by the National Bank of Panama. The Social Security fund is over committed. There is a crying need for decent low cost housing. Schools and hospitals are in poor condition and inadequate for the needs of the country. Redistribution of land is long overdue. Access roads, communications and electric power are completely inadequate for the country's needs.

25 YEAR RE-REVIEW

5. The general public has become acutely aware of its situation, and is demanding immediate improvement. Unless the new government, which took office on 1 October 1960, can provide quickly a practical demonstration of capability to improve the economy, provide jobs for the jobless and raise the standard of living for the mass of the people, it probably cannot survive for very long. Because of the temper of the people, most of the available local private capital is being withheld from investment due to fear of the future. Foreign capital of any consequence will also be withheld until more assurance of long range stability for the country is demonstrable.

6. The new government of President Roberto Chiari was inaugurated on 1 October 1960. President Chiari's inauguration speech was a very serious, sound, practical exposition of the serious situation which he has inherited and his desires and plans to meet this situation. He took a very favorable line in connection with relations with the United States and declared his determination to permit no internal interference on the part of other countries, obviously referring to Cuba.

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